



NATIONAL CENTER FOR
THE MIDDLE MARKET

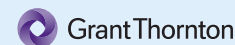
BREXIT AND THE U.S. MIDDLE MARKET

Anticipated Consequences and Benefits for
Middle Market Companies

IN COLLABORATION WITH



THE OHIO STATE UNIVERSITY
FISHER COLLEGE OF BUSINESS



Methodology

WHO



Overall Qualifications

- C-level executives actively involved in financial decisions
- Gross revenue between \$10 million to <\$1 billion
- Business operations outside of home country

Subgroups Shown

Total MM Firms = Sample sourced from respondents who participated in the Q2 2016 MMI.

MM Firms with Export or Import Business = Sample sourced from respondents who participated in recently conducted trade study. In addition to meeting the above qualifications, these respondents exported products or imported products/raw materials.

WHEN



Study conducted shortly after the Brexit vote: July 1st, 2016 through July 7th, 2016

HOW

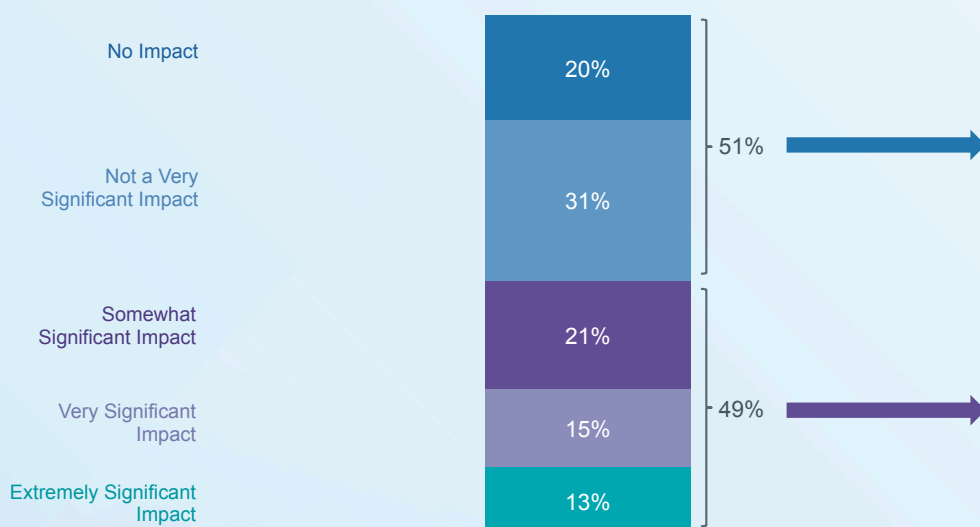


5 minute Self-Administered Online Survey

Impact of Brexit

Opinions on the impact of Brexit are split among U.S. middle market firms. A slight majority of companies believe the impact will be minimal. The higher the stakes in the region, the more likely executives are to foresee significant effects on regulations, tariffs, exchange rates, customer demand, and the global economy—and one in eight see a major impact.

TOTAL MIDDLE MARKET FIRMS



VOICE OF MIDDLE MARKET LEADERS

- *My business is entirely domestic and is strictly a service business. The only likely impact would come from general economic decline.*
- *While it's a very positive move and it's better for the US & British economy, we don't have a direct involvement with the any British company.*
- *Our UK business partners may increase their prices but this will be offset by reduction in price from our German partners.*

- *We ship our products to Europe and England. This is going to cause us to have 2 different shipping procedures in the future and different customs laws to follow.*
- *UK residents buying power is damaged resulting in fewer sales for my company.*
- *Importing and exporting regulations will change. When other countries leave the EU, this will magnify changes.*
- *Fluctuation in fees & tariffs that will be imposed in the future. An immediate effect of currency fluctuation impacted prices on services & goods.*

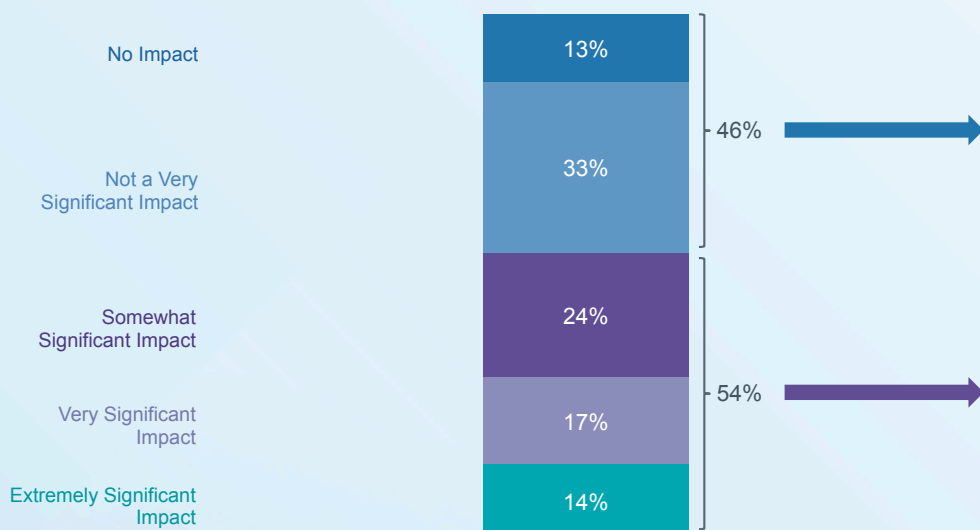
Total MM Firms N=569

1. On June 24th, 2016, the citizens of the United Kingdom voted to leave the European Union. Based on your knowledge of what issues this might lead to, to what degree will this decision impact your business?

Impact of Brexit

As expected, middle market firms with international operations tend to believe Brexit will have a bigger impact on their business.

MIDDLE MARKET FIRMS WITH EXPORT OR IMPORT BUSINESS



VOICE OF MIDDLE MARKET LEADERS

- *We don't sell much in Europe but will continue to do so anyway. This is politics. Trade must go on.*
- *We do not do much business with UK, although our facility in UK also has local customers which we are yet to see what will bring, the manufacturing market has been down regardless.*
- *Doesn't affect our customer base, unless it precipitates a worldwide recession, which it won't.*
- *We do business all over Europe and have subs in many of the countries. We're all for UK getting out of the broken EU.*

- *We ship items very frequently to England and France. Now we will need to abide by the UK shipping standard AND the EU shipping standards. Both are vastly different and we will need to work with 2 types of customs officers. Two types of packaging will need to be developed and this will up our costs.*
- *One area of expansion for us is possibly the UK. In light of Brexit we have decided to temporarily put on hold and not consider for 2017.*
- *Energy Trading is impacted significantly due to new requirements and regulations that will be required. London houses important brokers and resellers.*

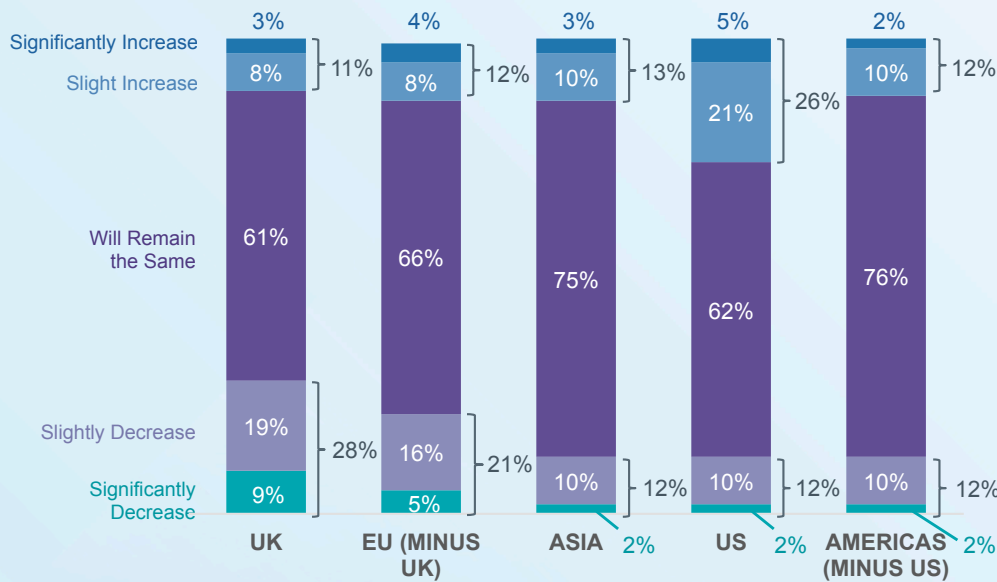
MM Firms with Export or Import Business N=261

1. On June 24th, 2016, the citizens of the United Kingdom voted to leave the European Union. Based on your knowledge of what issues this might lead to, to what degree will this decision impact your business?

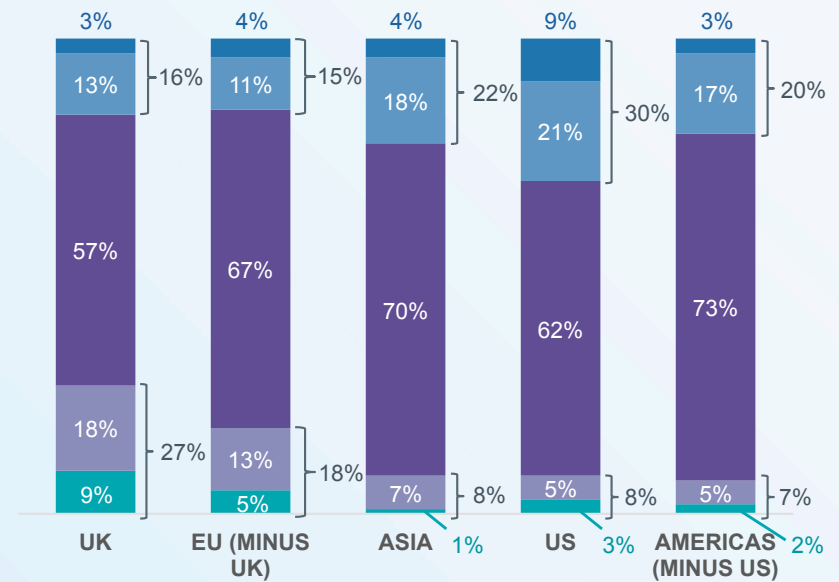
Impact on Business Investments

While most business investments will stay the same, middle market firms expect to decrease investments in the UK (and to a lesser extent in the rest of the EU) and redirect them to the U.S. domestic market and, to a lesser extent, Asia.

TOTAL MIDDLE MARKET FIRMS



MIDDLE MARKET FIRMS WITH EXPORT OR IMPORT BUSINESS

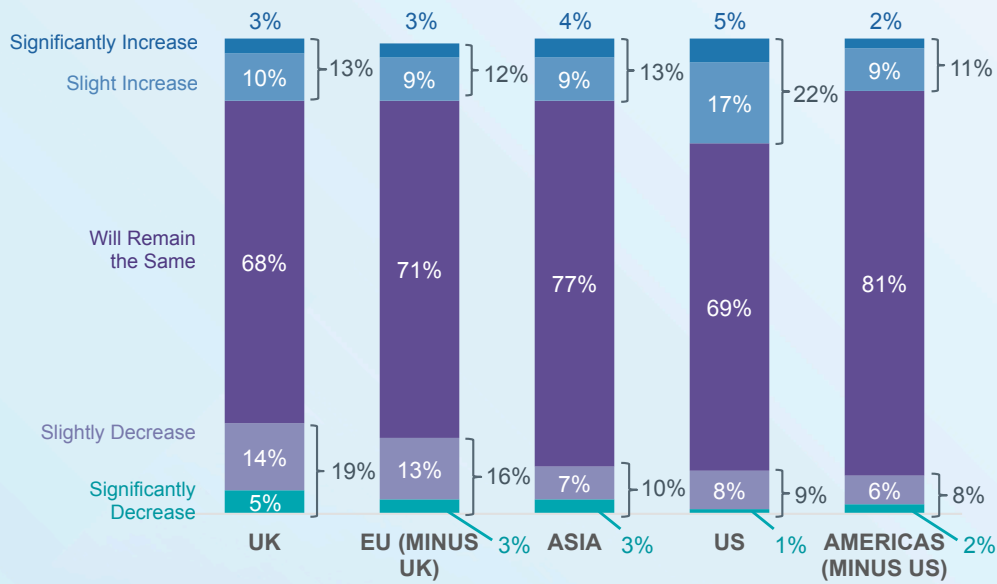


4. How will this decision impact your business investments in each of the following markets?

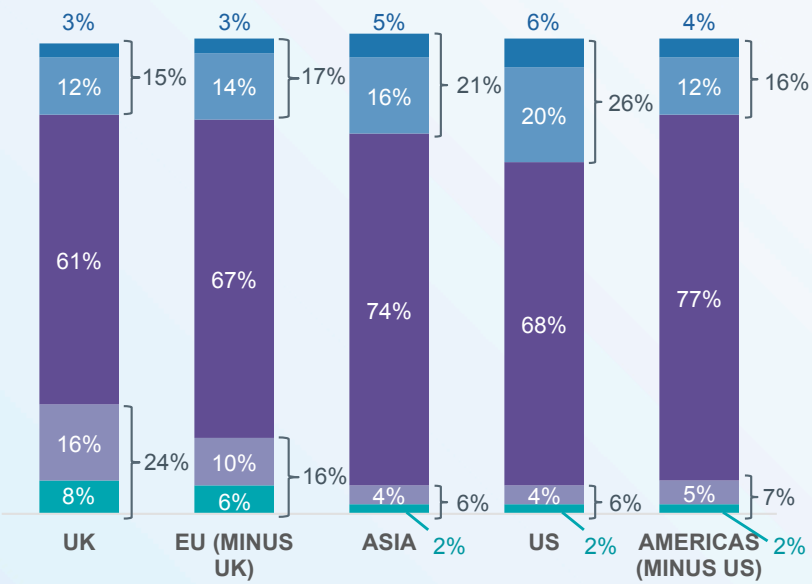
Impact on Purchasing Plans

Despite the fallen value of the British pound, executives say purchases from the UK will decline, perhaps in response to feared increases in customs barriers—though most purchasing will not change. Those with international operations are more inclined to decrease purchases from the UK and remaining EU countries and transfer those volumes to the U.S, other American countries, and Asia.

TOTAL MIDDLE MARKET FIRMS



MIDDLE MARKET FIRMS WITH EXPORT OR IMPORT BUSINESS

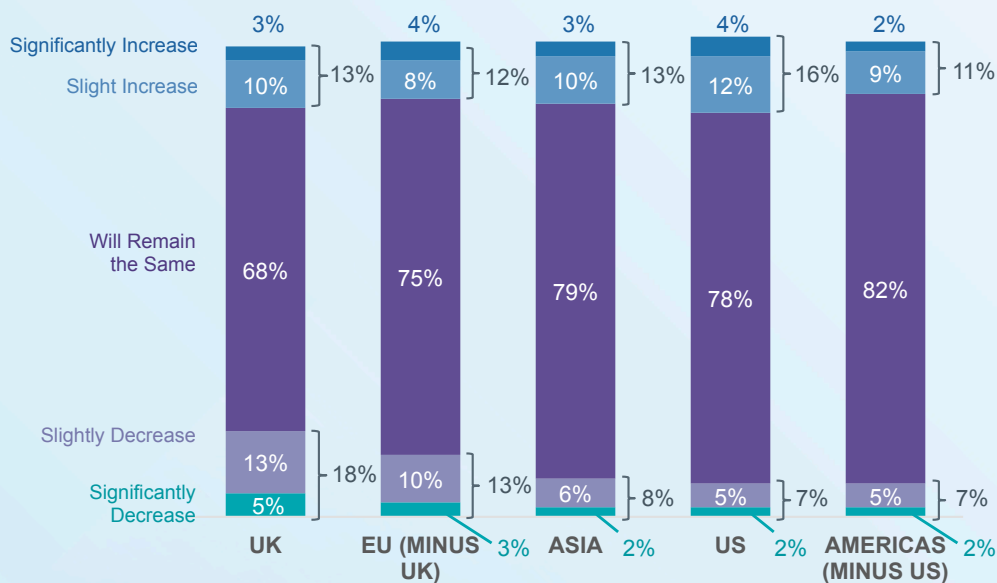


5. How will this decision impact your purchasing plans in each of the following markets?

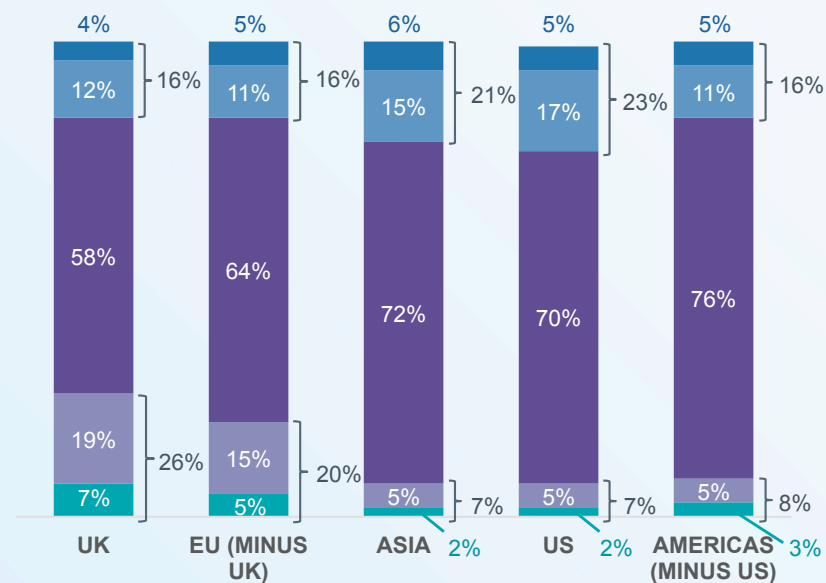
Impact on Exporting/Importing

The impact on exports and imports is also limited. Middle market firms that already participate in international trade have a higher tendency to suppress trading in the UK and remaining EU countries and hedge the risks by shifting business to customers and sellers in the U.S., Asia, and to some extent to other markets in the Americas.

TOTAL MIDDLE MARKET FIRMS



MIDDLE MARKET FIRMS WITH EXPORT OR IMPORT BUSINESS



6. How will this decision impact your exporting or importing plans in each of the following markets?

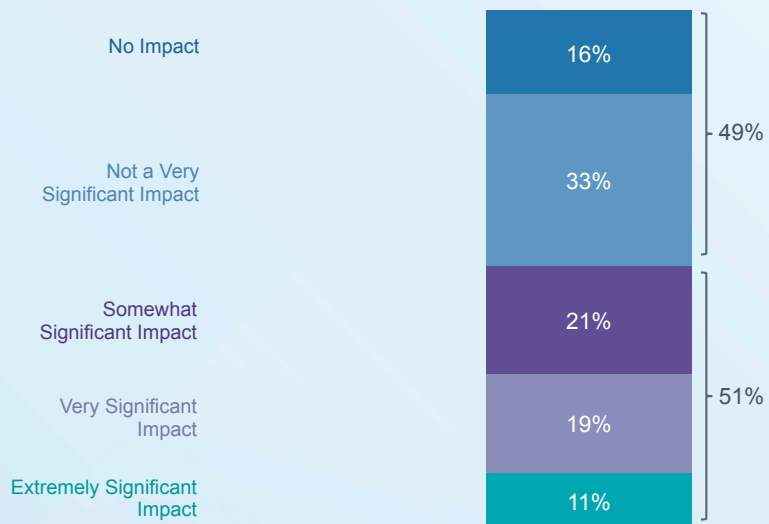
MANUFACTURERS VS. NON-MANUFACTURERS

(Among Total U.S. Middle Market Firms)

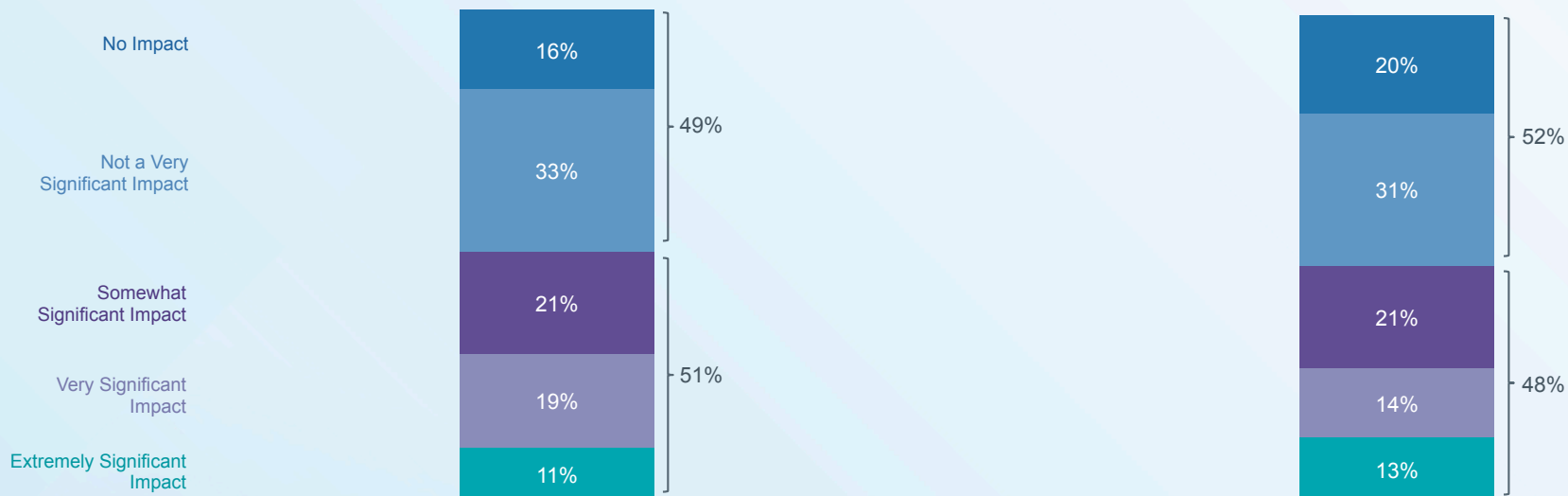
Impact of Brexit

The overall impact of Brexit is only slightly greater for manufacturers than it is for other sectors.

MANUFACTURERS



NON-MANUFACTURERS



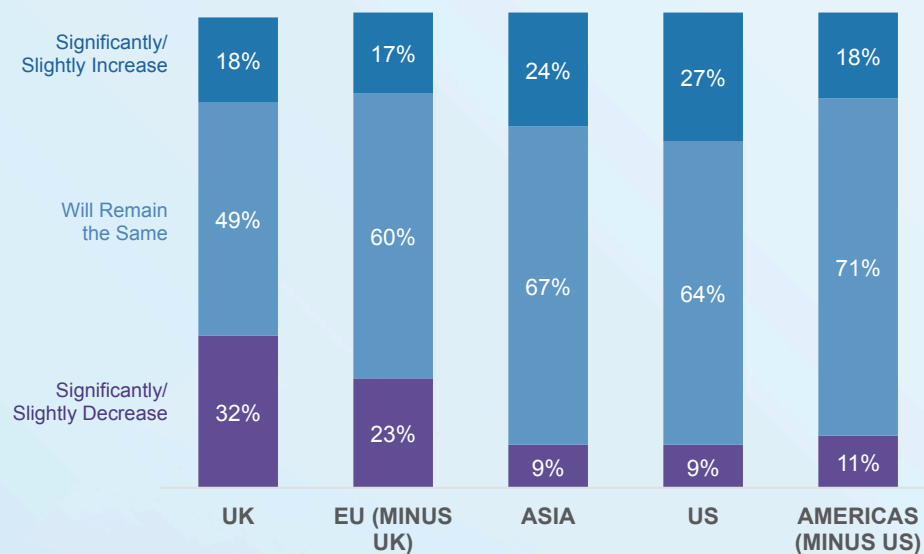
Manufacturers N=107, Non-Manufacturers N=462

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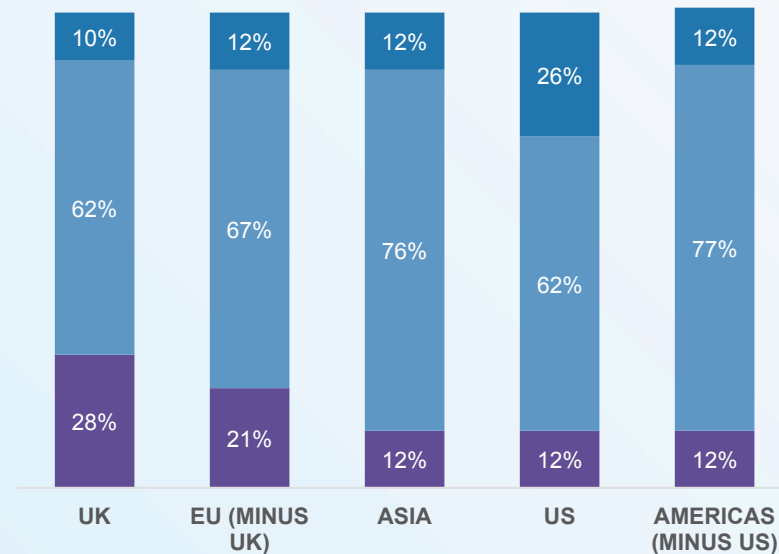
Impact on Business Investments

Manufacturers are more likely to increase investments in the UK and Asia than Non-Manufacturers—but also more likely to decrease them.

MANUFACTURERS



NON-MANUFACTURERS



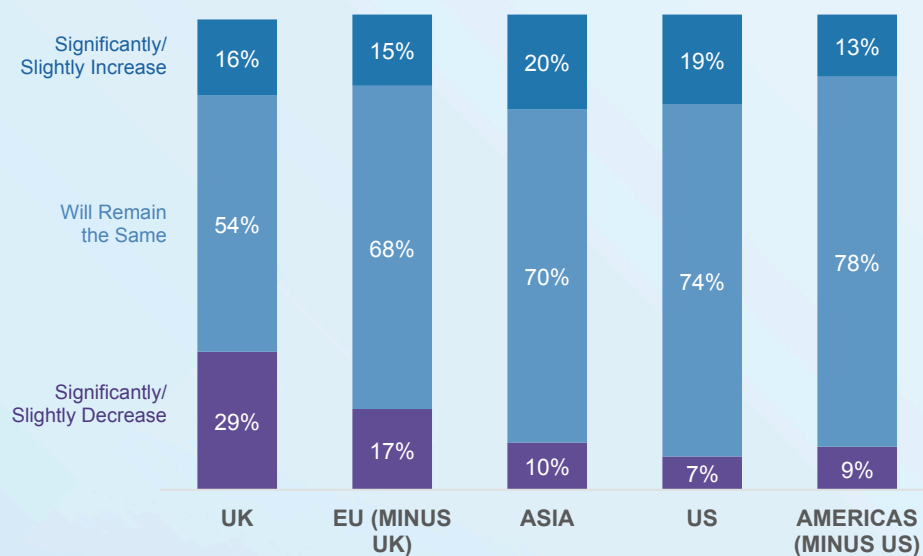
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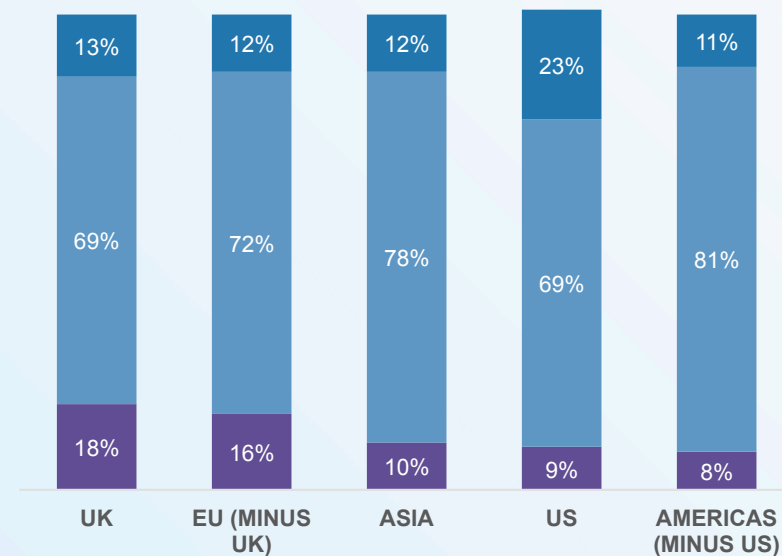
Impact on Purchasing Plans

Manufacturers expect to downsize their purchasing plans in the UK and increase volume in Asia and domestically.

MANUFACTURERS



NON-MANUFACTURERS



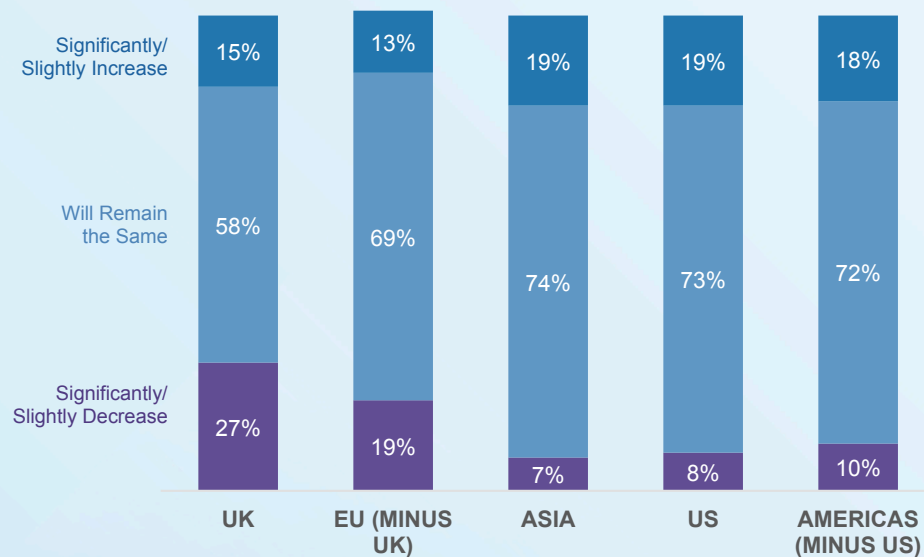
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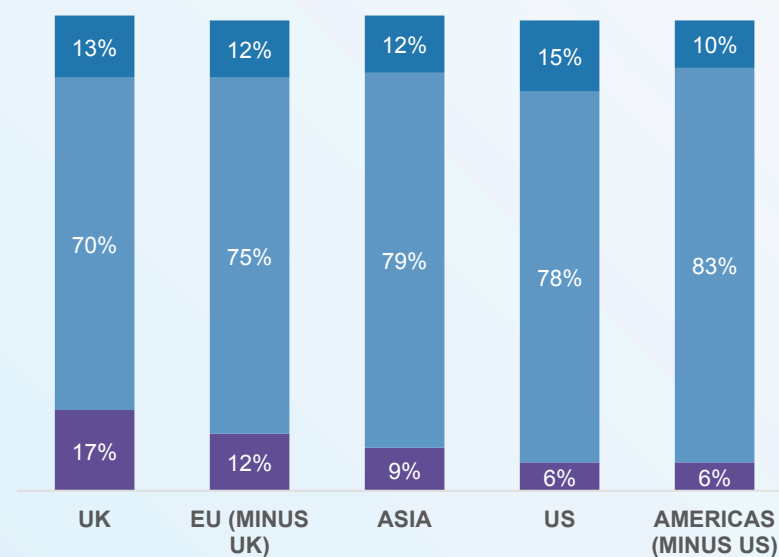
Impact on Exporting/Importing

The same pattern is seen for exports and imports—reductions in sales to the UK and Europe, increasing emphasis on markets at home and elsewhere overseas.

MANUFACTURERS



NON-MANUFACTURERS



Manufacturers N=107, Non-Manufacturers N=462

6. How will this decision impact your exporting or importing plans in each of the following markets?



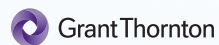
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